IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Michael A. SHARP	§	Confirmation No:	1204
	§		
	§	Group Art Unit:	3622
Serial No.: 09/765,985	§		
	§	Examiner:	James W. MYHRE
Filed: January 19, 2001	§		
	§	Atty. Dkt. No:	1002-001.00
For: Method and Apparatus for Embedding Advertisements in Audio Files for Internet and Network Distribution	§	Client Dkt. No:	65-1
	§		
	§		

APPEAL BRIEF

Commissioner for Patents
Mail Stop: Appeal Brief - Patents
P.O. Box 1450
Alexandria, VA 22313-1450

October 14, 2008

Dear Sir:

Appellant hereby submits this Appeal Brief in connection with the above-identified application. A Notice of Appeal for this matter was filed August 11, 2008.

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I. REAL PARTY IN INTEREST

The real party in interest in this matter is the inventor: Michael Sharp.

II. RELATED APPEALS AND INTERFERENCES

Neither the appellant nor the appellant's legal representative know of any other appeals or interferences that may be related to, directly affect or be directly affected by, or otherwise have a bearing on the Board's decision in an appeal on this case.

III. STATUS OF CLAIMS

The status of the claims is as follows:

Canceled:	1-13
Withdrawn:	None
Allowed:	None
Objected to:	None
Rejected:	14-37
Appealed:	14-37

IV. STATUS OF AMENDMENTS

No amendments have been filed subsequent to the Final Office Action of April 9, 2008.

V. SUMMARY OF CLAIMED SUBJECT MATTER

A concise explanation of the subject matter defined in each of the independent claims is provided here, with reference to the specification by page and line number and to the drawings by reference characters, where applicable. Note that the citation to passages in the specification and drawings for each claim element does not imply that the limitations from the specification and drawings should be read into the corresponding claim element.

Independent claim 14 relates to an audio file distribution system having at least one network server (Server 102 is shown in Fig. 1 below and described in the Substitute Specification ("S.Spec") at 3/2-3, 3/30-4/1.[1] See also 2/15-19). The network server provides a web site having audio files available for download by web site visitors (elements 104 and 106 of Fig. 1; S.Spec 1/15-18; 3/2-3; and 3/20-21). One or more of the audio files includes an embedded audio message from a sponsor (element 104 of Fig. 1; S.Spec 1/15-20; 3/3-11 and 21-29; 5/3-7/17).

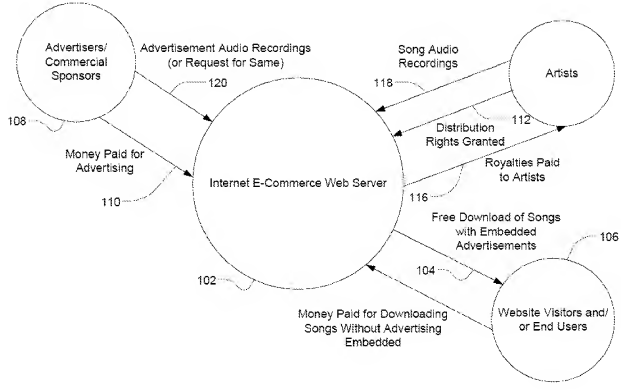

FIG. 1

[1] Page and line numbering will be provided using P/L notation. E.g., 3/2-4 refers to page 3, lines 2-4, and 3/30-4/1 refers to page 3, line 30 through page 4, line 1.

Independent claim 24 relates to an audio file playback method (S.Spec 3/20-29). The method of claim 24 includes downloading an audio file with an audible advertisement from a web site to a computer (element 104 of Fig. 1; S.Spec 1/15-20; 3/2-8; 3/20-29). The method further includes transferring the audio file from the computer to an external playing device that plays the audible advertisement when playing the audio file (S.Spec 3/25-29).

Independent claim 30 relates to a multimedia file distribution method (2/4-21; 3/20-29). The method of claim 30 includes receiving a message file having an audible message to be provided for a fee paid by a message provider (elements 110 and 120 of Fig. 1; S.Spec 2/15-19; 3/10-11; 3/30-4/6); receiving licensed multimedia files (elements 112, 118 of Fig. 1; S.Spec 2/15-21; 3/12-15; 3/30-4/2); appending the message file to the beginning of each of multiple licensed multimedia data files to provide combined files (S.Spec 2/4-8; 3/3-11; 3/21-29; 5/3-7/17); making the combined files available on an Internet website for download by end users (elements 104 and 106 of Fig. 1; S.Spec 1/15-18; 3/2-3; and 3/20-21); and transmitting at least one combined file to a user to store the combined file in its entirety for later playback (S.Spec 1/18-20; 3/2-5; 3/20-29).

Independent claim 35 relates to an advertising method (S.Spec 1/15-20; 2/4-21; 3/2-19). The method of claim 35 includes creating a combined audio file from two audio files, wherein at least one of the two audio files produces an advertising message when played (S.Spec 2/4-8; 3/3-11; 3/21-29; 5/3-7/17); making the combined audio file accessible for download by multiple users via a computer network (elements 104 and 106 of Fig. 1; S.Spec 1/15-18; 3/2-3; and 3/20-21); and transmitting the combined audio file to a user computer where the entire combined audio file is saved for later playback or transfer to an external multimedia player (S.Spec 1/18-20; 3/2-5; 3/20-29).

VI. GROUNDS OF REJECTION TO BE REVIEWED

Appellant hereby appeals the following grounds of rejection:

- Claims 14-37 stand rejected under 35 USC § 103(a) as being unpatentable over U.S. Pat. 5,931,901 ("Wolfe").

VII. CONCISE SUMMARY OF CITED ART

A. U.S. Pat. 5,931,901 ("Wolfe")

Wolfe teaches "a system and method for delivering programmed music and targeted advertising messages to Internet base subscribers" (Abstract). Wolfe's objective is "to provide an Internet based system for the dissemination of valuable proprietary information free of charge, just as it is provided through network television and radio stations without any costs to the ultimate user/subscriber" (c1/43-60). To that end, Wolfe provides a computer based system (Fig. 1) having a database 26 of advertisement content, a database 28 of profile information (such as age, education, gender, etc.) for each of the individual subscribers 12, 14, 16, and a database 30 that provides a library of searchable/selectable music content (c4/7-20).

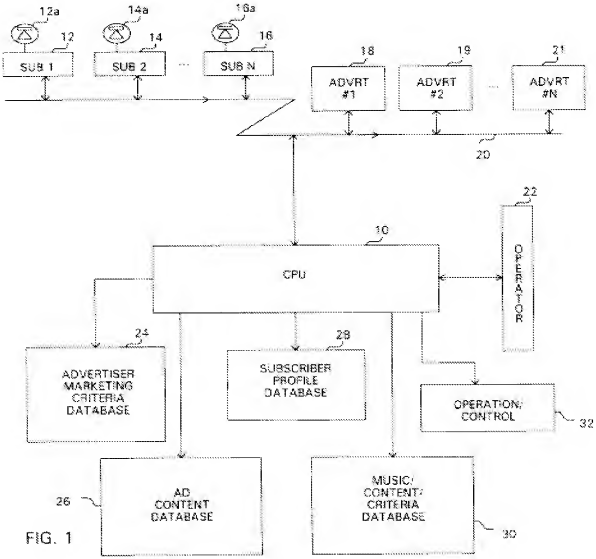

FIG. 1

> In operation, the subscriber selects the content which he or she desires to receive, and the content is placed in a queue for transmittal to the subscriber. Based on the profile of the content, a determination is made by the CPU based system as to which advertising copy … is appropriate to be delivered to the particular subscriber. … [T]he selected advertising message is affixed to the next generic message in the queue or to the applicable … identity audio message. The system automatically links the advertising message, the generic or identity audio message and the subscriber selected content into a single data stream to be transmitted to the subscriber over the Internet. In constructing the stream, the system overlays the generic or identity audio message onto the music content so that, when delivered, the audio generic message and the audio content can both be heard by the subscriber simultaneously. The completed data stream is then delivered to the subscriber in a single, inseparable stream of data packets over the Internet.

(c2/42-c3/3). It is in this context that Wolfe later describes the software as responding to a subscriber's request for particular musical works with "a 'response packet' for the individual subscriber. Such a response packet typically consists of one or more pieces of music which has been encoded/encrypted for transmittal over the Internet, to which an advertiser's message for each piece has been appended as a leader or header thereof, along with a generic or music specific voice over" (c6/21-37).

In addition to providing the foregoing functionality, the software running on CPU 10 collects information to calculate (if necessary) royalty fees payable to owners of the music, "play" statistics of the music content, and billing data for advertisers (c5/26-38). The software further provides functionality for "encoding and decoding music in a manner that ensures that the ultimate subscribers can not separate the music from the advertising copy and /or copy it for their personal use and dissemination, in violation of licensing terms" (c6/7-12).

B. The Examiner's "Official Notice"

The examiner has taken Official Notice as follows.

1. Storage of Incoming Files

On page 3, lines 14-18 (and again on page 8, lines 4-7), of the Final Office Action dated April 9, 2008, the examiner states "Official Notice is taken that it was old and well known at the time of the invention that any incoming data file can be locally stored, whether on the receiving device's hard drive or on any one or more types of removable storage devices, e.g., floppy disks, smart cards, tapes, CD-ROMs, DVDs, etc.". On page 2 of the Advisory Action dated July 10, 2008, the examiner adds "the Official Notice is not that all receiving DEVICES can store the

incoming data, but that all incoming DATA can be stored. This is true even if the incoming data has been encoded or altered. It can still be stored, but it may not be able to be played until it has been properly decoded."

2. Data File Formats

On page 5, lines 3-4 (and again on page 7, lines 1-2), of the Final Office Action dated April 9, 2008, the examiner states "Official Notice is taken that these [wav, MP3, and compressed formats] were old and well known standard formats for data files at the time the invention was made".

3. Transfer to Removable Storage

On page 5, lines 14-17, the examiner states "Official Notice is taken that it is old and well known within the computer industry that both locally stored files and incoming data stream files may be transferred to removable storage devices, such as CD-ROMs, smart cards, tape, etc. For example, users have been recording radio and television broadcasts onto audio tapes for years."

VIII. ARGUMENTS

The claims do not stand or fall together. Instead, appellant presents separate arguments for various independent and dependent claims under corresponding headings and sub-headings as required by 37 CFR § 41.37(c)(1)(vii).

A. Rejections Under 35 USC § 103 Over Wolfe

Claims 14-37 stand rejected under 35 USC § 103(a) as being unpatentable over U.S. Pat. 5,931,901 ("Wolfe"). Appellant respectfully traverses because, under the analysis framework set forth by the Supreme Court in *Graham v. John Deere*[2], the claimed inventions are not obvious over the cited art. Appellant respectfully requests that the rejections be reversed and the application remanded for issuance.

1. Claims 14-15, 17-23

The four factual inquiries under *Graham* are: (a) determining the scope and contents of the prior art; (b) ascertaining the differences between the prior art and the claims; (c) resolving

[2] *Graham v. John Deere*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966).

the level of ordinary skill in the pertinent art; and (d) evaluating evidence of secondary considerations. [3] Appellants maintain that the examiner's rejection misinterprets the scope and content of the prior art. At least partly because of this misinterpretation, the rejection fails to appreciate at least one key difference that would not have been obvious to one of ordinary skill in the art at the time of the invention: namely that the claims require downloading whereas the cited art only provides streaming. The foregoing facts are explained below and in the attached affidavits, which also provide evidence of secondary considerations.

Independent claim 14 recites in part "a web site having audio files available for download by web site visitors …". The examiner cites Wolfe c2/60-c3/3 and c6/21-c7/5 as teaching these limitations, though he notes that "Wolfe does not explicitly disclose that the combined file being downloaded is stored on the user device".[4] Nevertheless, the examiner argues that storage on the user's local storage device is implicit in Wolfe's teaching of security measures to prevent copying.[5] Finally, the examiner takes Official Notice that *any* incoming data file can be locally stored on the hard drive or removable storage.[6]

Despite the examiner's assertions, Wolfe fails to teach or suggest "a web site having audio files available for download by web site visitors" as recited by the claim. Wolfe discloses only the delivery of program content and advertising using a streaming technique,[7] and does *not* teach delivery by download.[8] Downloaded data is stored, whereas streamed data is not.[9] The

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[3] Id.

[4] Final OA of April 9, 2008, 3/7-10.

[5] Id at 3/7-14. ("[T]he disclosure that the user may attempt to disseminate the file at least implies that it has been or could be stored on the user device. By discussing how the security measures can prevent the user from being able to copy and disseminate the files Wolfe is explicitly teaching that without the security procedures a user could copy and disseminate the file").

[6] Id at 3/14-18. ("Official Notice is taken that it was old and well known at the time of the invention that any incoming data file can be locally stored, either on the receiving device's hard drive or on any one or more types of removable storage devices, e.g., floppy disks …").

[7] Wolfe at c3/1-3 ("The completed data stream is then delivered to the subscriber in a single, inseparable stream of data packets over the Internet.").

[8] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶23 ("Streaming and download are different ways to deliver content that use different protocols, and handle the content in different ways. The stream is discarded; the download is stored. The Wolfe patent only applies to streaming; it does not provide for downloading audio files with embedded advertising content."). See also ¶7 and 18-19 ("One of ordinary skill would not find it feasible to modify Wolfe's system to store streamed content to a local drive because this would require specialized knowledge [i.e., the special expertise of the content pirate]").

[9] Id.

examiner takes Official Notice that *any* incoming data file can be locally stored on the hard drive or removable storage, which appellants *again* traverse in accordance with MPEP § 2144.03(C)[10] because (at least for one of ordinary skill at the time of the invention) it is not true.[11] As a particularly relevant example, at least some streaming media servers and players were designed to ensure that "users can only stream data and are prevented from downloading the file directly to their hard disk".[12]

> Appellants also traverse the examiner's improper reasoning that
>
> By discussing how the security measures can prevent the user from being able to copy and disseminate the files Wolfe is explicitly teaching that without the security procedures a user could copy and disseminate the file.[13]

The fallacy of such reasoning is so well known that it has a name – it is known as the Fallacy of Denying the Antecedent.[14] This type of reasoning attempts to conclude that when the statement 'If A then B' is true, then A being false means B must be false.[15] As one example, the truth of the statement 'If it is raining, then the ground is wet' does not imply that the ground is dry in the absence of rain. Quite the opposite is true because many counterexamples spring to mind – the ground is often wet in the absence of rain, e.g., due to snowmelt, flooding, irrigation, or even just washing your car.

In the same fashion, the examiner's conclusion is false because even though Wolfe teaches the use of security measures as a precaution against copying, Wolfe does not teach that copying is possible in the absence of such security measures. At the very least, Wolfe's use of streaming would prevent those of ordinary skill at the time of the invention from copying the

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[10] Pursuant to MPEP § 2144.03(C), the examiner "must provide documentary evidence in the next office action if the rejection is to be maintained" (citing 37 CFR 1.104(c)(2) and *Zurko*, 258 F.3d at 1386, 59 USPQ2d at 1697 ("[T]he Board [or examiner] must point to some concrete evidence in the record in support of these findings" to satisfy the substantial evidence test)).

[11] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶17 ("[A]t least some media players were designed to prevent storage of streamed data. Specifically, it was not (in the examiner's words:) 'old and well known at the time of the invention that any incoming data file can be locally stored, either on the receiving device's hard drive or on any one or more types of removable storage devices'. To quote from the Microsoft document for Windows Media (© 2003): 'With a Windows Media Server, users can only stream data and are prevented from downloading the file directly to their hard disk.").

[12] Web Server vs. Streaming Server, © 2003 Microsoft Corp., http://www.microsoft.com/windows/windowsmedia/ compare/webservvstreamserv.aspx.

[13] Final OA of April 9, 2008, 3/7-14.

[14] See, e.g., C. Stephen Layman, The Power of Logic, 2ed. © 2002 McGraw Hill, Boston. p24-25.

[15] Id.

streamed data. Moreover, the system itself would be fatally flawed if such copying were possible. Wolfe's revenue determinations depend on play counts and targeted advertising. Without security measures or some method for preventing copying, Wolfe's contemplated system would not be feasible, making it even more impossible for subscribers to copy songs.

In addition to failing to teach the claim limitation regarding downloading, Wolfe fails to suggest such a limitation to one of ordinary skill in the art at the time of the invention.[16] The significant differences between downloading and streaming would be known to one of ordinary skill in the art at the time of the invention.[17] The fundamental, real-time nature of Wolfe's system would be altered in undesirable ways if one attempted to substitute the download technique for the streaming technique. Wolfe embraces the individualized broadcast radio/television model in a manner that permits tracking of user profiles, play statistics, advertiser air times and remaining allocations, and limited replay of selected content.[18] If a downloading technique were employed, much of the functionality of Wolfe's proposed system would be lost. One of ordinary skill would find little motivation, and much disincentive, for making such a modification to Wolfe, particularly when the relatively limited hardware capabilities of the late 1990's are taken into account.[19]

Furthermore, evidence of secondary considerations exists for non-obviousness of the claimed invention. In the attached declaration of Rod Underhill dated Feb. 15, 2008, one of the co-founders of MP3.com (a company that provided free audio downloads while searching for ways to commercialize their digital audio content beginning about a year before the appellant launched his business) declares that before becoming aware of the appellant's invention, "We

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[16] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶5 ("I believe that "a person of ordinary skill in the art at the time the invention was made" (i.e., in late 1999) in the audio streaming area would have, at a minimum, a bachelor's degree in computer science or two years of programming experience.").

[17] Id. at ¶16 ("All these developments led to two very different ways to deliver content, each of which would be familiar to one of ordinary skill in the late 1990's. The first is download, HTTP over TCP/IP. This is non-real-time delivery of a data file, which is stored locally on the user's PC, where it can be opened and played at any subsequent time. The second is streaming, UDP over IP. Streaming manages the delivery rate … . Data is rendered in the media player plug-in to the browser then discarded. To listen to the file again it must be streamed again.").

[18] Wolfe at c1/43-48, c4/12-18, c5/31-44, and c6/54-57.

[19] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶10 ("The PC's of the time had very limited RAM, and low capacity disk drives by 2008 standards. A typical PC just did not have the spare memory to store media files. Streaming to the Flash player, rendering content, and immediately discarding the data got around this problem.").

had not previously contemplated such a business model, and we were a bit concerned that this novel approach could generate substantial income for our competitor."[20] Although Rod Underhill's company ultimately chose not to pursue this model, he declares that they "respected [the appellant's] innovation at the time and their willingness to embrace novel and inventive business model concepts."[21] Moreover, evidence of the commercial value of this invention is growing.[22] Peter Gabriel's We7 venture is having great success using the appellant's ad-sponsored music distribution model for as an effective way to compensate artists.[23]

For at least the foregoing reasons, independent claim 14 and its dependent claims 15 and 17-23 are patentable over the cited art.

2. Claim 16

Claim 16 depends indirectly from independent claim 14 and is patentable for at least the same reasons. In addition, claim 16 further recites "the royalty is based at least in part on a number of times an audio file is downloaded." The examiner cites Wolfe c5/34-37 as teaching "determining royalty fees due to the owner of the audio file based on the 'play' statistics".[24] A per-play royalty calculation is quite distinct from a per-download royalty calculation, because a downloaded file can be played an indeterminate number of times, much like a CD purchased by a consumer. The approach recited in claim 16 is not taught or suggested by Wolfe.

For at least this additional reason, dependent claim 16 is patentable over the cited art.

3. Claims 24, 27-29

Independent claim 24 recites in part "downloading an audio file with an audible advertisement from a web site to a computer". The examiner cites Wolfe c2/60-c3/3 and c6/21-c7/5 as teaching these limitations. Appellant respectfully traverses because, as explained above in support of claim 14, Wolfe fails to teach or suggest the use of downloading from a web site.

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[20] R. Underhill, Declaration dated Feb. 15, 2008, p2.

[21] R. Underhill, Declaration dated Feb. 15, 2008, p3.

[22] Ad Supported Music Downloads, February 4, 2008, www.we7.com/public/press (cited in file IDS dated March 11, 2008) ("2008 is already a record breaking year for We7, the ad-supported music download service, as it smashes the two millionth download barrier and tips over 100,000 registered users this week").

[23] Id. *See also* Peter Gabriel's We7 launches ad-supported music downloads, April 30, 2007, www.prompt-communications.com/blog/2007 (cited in file IDS dated March 11, 2008).

[24] Final OA of April 9, 2008, 4/1-3.

Moreover, the nonobviousness of the claimed invention is supported by evidence of secondary considerations as described above in support of claim 14.

Independent claim 24 further recites "transferring the audio file from the computer to an external playing device that plays the audible advertisement when playing the audio file". The examiner acknowledges that Wolfe does not explicitly disclose this limitation, but takes Official Notice that "it is old and well known within the computer industry that both locally stored files and incoming data stream files may be transferred to removable storage devices, such as CD-ROMs, smart cards, tape, etc. For example, users have been recording radio and television broadcasts onto audio tapes for years".[25]

Appellant respectfully traverses the examiner's Official Notice (for the second time) in accordance with MPEP § 2144.03(C).[26] The examiner's assertion is not universally true, and in fact, it is incorrect for at least some incoming data streams.[27] "With a Windows Media Server, users can only stream data and are prevented from downloading the file directly to their hard disk".[28] This quote perhaps highlights why the examiner's example of analog broadcasts recorded to audio or video tape is not relevant to the transfer of digital files.

For at least the foregoing reasons, independent claim 24 and its dependent claims 27-29 are patentable over the cited art.

4. Claims 25-26

Claim 25 depends from independent claim 24 and is patentable for at least the same reasons. In addition, claim 25 recites "the external playing device plays the audible advertisement each time it plays the audio file". The examiner asserts that the "inseparable stream", having been recorded (presumably by highly sophisticated piracy), would inherently require that the advertisement play each time the audio file is played. A showing of inherency requires a high burden of proof, which appellant respectfully submits has not been established

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[25] Id. at 5/13-17.

[26] Pursuant to MPEP § 2144.03(C), the examiner "must provide documentary evidence in the next office action if the rejection is to be maintained" (citing 37 CFR 1.104(c)(2) and *Zurko*, 258 F.3d at 1386, 59 USPQ2d at 1697 ("[T]he Board [or examiner] must point to some concrete evidence in the record in support of these findings" to satisfy the substantial evidence test)).

[27] See Austerberry Declaration, note [11] supra.

[28] Web Server vs. Streaming Server, © 2003 Microsoft Corp., http://www.microsoft.com/windows/windowsmedia/ compare/webservvstreamserv.aspx.

here.[29] Appellant maintains that, pursuant to arguments made in support of independent claim 24, the "inseparable stream" cannot be locally stored and transferred to an external playing device. If it were somehow stored (presumably through use of the special expertise of a content pirate), appellant submits that the so-called "inseparable stream" would not necessarily be inseparable.

For at least this additional reason, claim 25 and its dependent claim 26 are patentable over the cited art.

5. Claims 30, 32-33

Independent claim 30 recites "appending the message file to the beginning of each of multiple licensed multimedia data files to provide combined files … and transmitting at least one combined file to a user to store the combined file in its entirety for later playback". The examiner cites Wolfe c2/60-c3/3 as teaching these limitations, acknowledging however that "Wolfe does not explicitly disclose that the combined file being downloaded is stored on the user device for later playback".[30] Nevertheless, the examiner argues that storage on the user's local storage device is implicit in Wolfe's teaching of security measures to prevent copying.[31] Finally, the examiner takes Official Notice that *any* incoming data file can be locally stored on the hard drive or removable storage.[32]

Despite the examiner's assertions, Wolfe fails to teach or suggest "transmitting at least one combined file to a user to store the combined file in its entirety for later playback" as recited by the claim. Wolfe discloses only the delivery of program content and advertising using a

[29] In re Robertson, 169 F.3d 743, 745, 49 USPQ2d 1949, 1950-51 (Fed. Cir. 1999) ("To establish inherency, the extrinsic evidence 'must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.'"); Ex parte Levy, 17 USPQ2d 1461, 1464 (Bd. Pat. App. & Inter. 1990) ("In relying upon the theory of inherency, the examiner must provide a basis in fact and/or technical reasoning to reasonably support the determination that the allegedly inherent characteristic necessarily flows from the teachings of the applied prior art.").

[30] Final OA of April 9, 2008, 7/18-19.

[31] Id at 7/19-8/4. ("[T]he disclosure that the user may attempt to disseminate the file at least implies that it has been or could be stored on the user device. By discussing how the security measures can prevent the user from being able to copy and disseminate the files Wolfe is explicitly teaching that without the security procedures a user could copy and disseminate the file").

[32] Id at 8/4-7. ("Official Notice is taken that it was old and well known at the time of the invention that any incoming data file can be locally stored, either on the receiving device's hard drive or on any one or more types of removable storage devices, e.g., floppy disks …").

streaming technique,[33] and does *not* teach delivery by download.[34] Downloaded data is stored, whereas streamed data is not.[35] The examiner takes Official Notice that *any* incoming data file can be locally stored on the hard drive or removable storage, which appellants *again* traverse in accordance with MPEP § 2144.03(C)[36] because (at least for one of ordinary skill at the time of the invention) it is not true.[37] As a particularly relevant example, at least some streaming media servers and players were designed to ensure that "users can only stream data and are prevented from downloading the file directly to their hard disk".[38]

Appellants also traverse the examiner's improper reasoning that "By discussing how the security measures can prevent the user from being able to copy and disseminate the files Wolfe is explicitly teaching that without the security procedures a user could copy and disseminate the file."[39] Such reasoning is known as the Fallacy of Denying the Antecedent.[40] This type of reasoning attempts to conclude that when the statement 'If A then B' is true, then A being false means B must be false.[41] As one example, the truth of the statement 'If it is raining, then the ground is wet' does not imply that the ground is dry in the absence of rain. Quite the opposite is

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[33] Wolfe at c3/1-3 ("The completed data stream is then delivered to the subscriber in a single, inseparable stream of data packets over the Internet.").

[34] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶23 ("Streaming and download are different ways to deliver content that use different protocols, and handle the content in different ways. The stream is discarded; the download is stored. The Wolfe patent only applies to streaming; it does not provide for downloading audio files with embedded advertising content."). See also ¶7 and 18-19 ("One of ordinary skill would not find it feasible to modify Wolfe's system to store streamed content to a local drive because this would require specialized knowledge [i.e., the special expertise of the content pirate]").

[35] Id.

[36] Pursuant to MPEP § 2144.03(C), the examiner "must provide documentary evidence in the next office action if the rejection is to be maintained" (citing 37 CFR 1.104(c)(2) and *Zurko*, 258 F.3d at 1386, 59 USPQ2d at 1697 ("[T]he Board [or examiner] must point to some concrete evidence in the record in support of these findings" to satisfy the substantial evidence test)).

[37] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶17 ("[A]t least some media players were designed to prevent storage of streamed data. Specifically, it was not (in the examiner's words:) 'old and well known at the time of the invention that any incoming data file can be locally stored, either on the receiving device's hard drive or on any one or more types of removable storage devices'. To quote from the Microsoft document for Windows Media (© 2003): 'With a Windows Media Server, users can only stream data and are prevented from downloading the file directly to their hard disk.").

[38] Web Server vs. Streaming Server, © 2003 Microsoft Corp., http://www.microsoft.com/windows/windowsmedia/ compare/webservvstreamserv.aspx.

[39] Final OA of April 9, 2008, 3/7-14.

[40] See, e.g., C. Stephen Layman, The Power of Logic, 2ed. © 2002 McGraw Hill, Boston. p24-25.

[41] Id.

true because many counterexamples spring to mind – the ground is often wet in the absence of rain, e.g., due to snowmelt, flooding, irrigation, or even just washing your car.

In the same fashion, the examiner's conclusion is false because even though Wolfe teaches the use of security measures as a precaution against copying, Wolfe does not teach that copying is possible in the absence of such security measures. At the very least, Wolfe's use of streaming would prevent those of ordinary skill at the time of the invention from copying the streamed data. Moreover, the system itself would be fatally flawed if such copying were possible. Wolfe's revenue determinations depend on play counts and targeted advertising. Without security measures or some method for preventing copying, Wolfe's contemplated system would not have been feasible, making it even more impossible for subscribers to copy songs.

In addition to failing to teach the claim limitation regarding downloading, Wolfe fails to suggest such a limitation to one of ordinary skill in the art at the time of the invention.[42] The significant differences between storing an entire file for later playback and streaming would be known to one of ordinary skill in the art at the time of the invention.[43] The fundamental, real-time nature of Wolfe's system would be altered in undesirable ways if one attempted to substitute the later-playback technique for the streaming technique. Wolfe embraces the individualized broadcast radio/television model in a manner that permits tracking of user profiles, play statistics, advertiser air times and remaining allocations, and limited replay of selected content.[44] If a later-playback technique were employed, much of the functionality of Wolfe's proposed system would be lost. One of ordinary skill would find little motivation, and

[42] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶5 ("I believe that "a person of ordinary skill in the art at the time the invention was made" (i.e., in late 1999) in the audio streaming area would have, at a minimum, a bachelor's degree in computer science or two years of programming experience.").

[43] Id. at ¶16 ("All these developments led to two very different ways to deliver content, each of which would be familiar to one of ordinary skill in the late 1990's. The first is download, HTTP over TCP/IP. This is non-real-time delivery of a data file, which is stored locally on the user's PC, where it can be opened and played at any subsequent time. The second is streaming, UDP over IP. Streaming manages the delivery rate … . Data is rendered in the media player plug-in to the browser then discarded. To listen to the file again it must be streamed again.").

[44] Wolfe at c1/43-48, c4/12-18, c5/31-44, and c6/54-57.

much disincentive, for making such a modification to Wolfe, particularly when the relatively limited hardware capabilities of the late 1990's are taken into account.[45]

Furthermore, evidence of secondary considerations exists for non-obviousness of the claimed invention. In the attached declaration of Rod Underhill dated Feb. 15, 2008, one of the co-founders of MP3.com (a company that provided free audio downloads while searching for ways to commercialize their digital audio content beginning about a year before the appellant launched his business) declares that before becoming aware of the appellant's invention, "We had not previously contemplated such a business model, and we were a bit concerned that this novel approach could generate substantial income for our competitor."[46] Although Rod Underhill's company ultimately chose not to pursue this model, he declares that they "respected [the appellant's] innovation at the time and their willingness to embrace novel and inventive business model concepts."[47] Moreover, evidence of the commercial value of this invention is growing.[48] Peter Gabriel's We7 venture is having great success using the appellant's ad-sponsored music distribution model for as an effective way to compensate artists.[49]

For at least the foregoing reasons, independent claim 30 and its dependent claims 32-33 are patentable over the cited art.

6. Claim 31

Claim 31 depends from independent claim 30 and is patentable for at least the same reasons. In addition, claim 31 further recites "determining a royalty payment to a provider of a licensed multimedia file based at least in part on a number of downloads of combined files including that multimedia file." The examiner cites Wolfe c5/34-37 as teaching "determining

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[45] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶10 ("The PC's of the time had very limited RAM, and low capacity disk drives by 2008 standards. A typical PC just did not have the spare memory to store media files. Streaming to the Flash player, rendering content, and immediately discarding the data got around this problem.").

[46] R. Underhill, Declaration dated Feb. 15, 2008, p2.

[47] R. Underhill, Declaration dated Feb. 15, 2008, p3.

[48] Ad Supported Music Downloads, February 4, 2008, www.we7.com/public/press (cited in file IDS dated March 11, 2008) ("2008 is already a record breaking year for We7, the ad-supported music download service, as it smashes the two millionth download barrier and tips over 100,000 registered users this week").

[49] Id. *See also* Peter Gabriel's We7 launches ad-supported music downloads, April 30, 2007, www.prompt-communications.com/blog/2007 (cited in file IDS dated March 11, 2008).

royalty fees due to the owner of the audio file based on the 'play' statistics".[50] A per-play royalty calculation is quite distinct from a per-download royalty calculation because a downloaded file can be played an indeterminate number of times, much like a CD purchased by a consumer. The approach recited in claim 31 is not taught or suggested by Wolfe.

For at least this additional reason, dependent claim 31 is patentable over the cited art.

7. Claim 34

Claim 34 depends from independent claim 30 and is patentable for at least the same reasons. In addition, claim 34 further recites "transmitting said at least one combined file to a second different user to store for later playback." The examiner argues that Wolfe discloses this limitation because "inherently, the combined file may be transmitted to many other requesting users as long as they match the targeting profile".[51] The examiner also argues that Wolfe's teaching of security measures to prevent copying is equivalent to a teaching that in the absence of such measures, a user would be able to copy and disseminate the combined file to a second different user.[52]

Appellant's response is two-fold. First, appellant traverses the examiner's improper reasoning that "By discussing how the security measures can prevent the user from being able to copy and disseminate the files Wolfe is explicitly teaching that without the security procedures a user could copy and disseminate the file."[53] Such reasoning is known as the Fallacy of Denying the Antecedent.[54] This type of reasoning attempts to conclude that when the statement 'If A then B' is true, then A being false means B must be false.[55] As one example, the truth of the statement 'If it is raining, then the ground is wet' does not imply that the ground is dry in the absence of rain. Quite the opposite is true because many counterexamples spring to mind – the

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[50] Final OA of April 9, 2008, 4/1-3.

[51] Id. at 9/7-10.

[52] Id at 9/10-13 ("Wolfe also discusses encrypting the combined file so that the first user cannot 'copy it for their personal use and dissemination' (column 6, lines 7-12). This teaches that if the file is not encrypted, then a user would be able to copy and disseminate the combined file (to a second different user)").

[53] Final OA of April 9, 2008, 3/7-14.

[54] See, e.g., C. Stephen Layman, The Power of Logic, 2ed. © 2002 McGraw Hill, Boston. p24-25.

[55] Id.

ground is often wet in the absence of rain, e.g., due to snowmelt, flooding, irrigation, or even just washing your car.

In the same fashion, the examiner's conclusion is false because even though Wolfe teaches the use of security measures as a precaution against copying, Wolfe does not teach that copying is possible in the absence of such security measures. At the very least, Wolfe's use of streaming would prevent those of ordinary skill at the time of the invention from copying the streamed data. Moreover, the system itself would be fatally flawed if such copying were possible. Wolfe's revenue determinations depend on play counts and targeted advertising. Without security measures or some method for preventing copying, Wolfe's contemplated system would not have been feasible, making it even more impossible for subscribers to copy songs.

Second, a showing of inherency requires a high burden of proof, which appellant respectfully submits has not been established here.[56] Wolfe does not provide any files for download by multiple users, but rather he responds to individual requests by creating a "response packet" for streaming to the individual subscriber.[57] Thus even if different subscribers with identical profiles were to submit identical requests and identical times (which is a remote likelihood at best), they would not even necessarily be provided the same content, let alone the same response packet. Nor is it the case that Wolfe suggests that they should.

For at least these additional reasons, claim 34 is patentable over the cited art.

8. Claims 35-36

Independent claim 35 recites "creating a combined audio file from two audio files, wherein at least one of the two audio files produces an advertising message when played; [and] making the combined audio file accessible for download by multiple users". The examiner cites Wolfe c2/60-c3/3 as teaching these limitations, though he notes that "Wolfe does not explicitly disclose that the combined file being downloaded is stored on the user device for later playback".[58] Nevertheless, the examiner argues that storage on the user's local storage device is

[56] Note [29] supra.

[57] *See* Wolfe c6/21-c7/5.

[58] Final OA of April 9, 2008, 7/18-19.

implicit in Wolfe's teaching of security measures to prevent copying.[59] Finally, the examiner takes Official Notice that *any* incoming data file can be locally stored on the hard drive or removable storage.[60]

Despite the examiner's assertions, Wolfe fails to teach or suggest "making the combined audio file accessible for download by multiple users" as recited by the claim. Wolfe discloses only the delivery of program content and advertising using a streaming technique *targeted to a single subscriber*,[61] and does *not* teach download accessibility to multiple users.[62] The examiner takes Official Notice that *any* incoming data file can be locally stored on the hard drive or removable storage, which appellants *again* traverse in accordance with MPEP § 2144.03(C)[63] because (at least for one of ordinary skill at the time of the invention) it is not true.[64] As a particularly relevant example, at least some streaming media servers and players were designed to ensure that "users can only stream data and are prevented from downloading the file directly to their hard disk".[65]

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[59] Id at 7/19-8/4. ("[T]he disclosure that the user may attempt to disseminate the file at least implies that it has been or could be stored on the user device. By discussing how the security measures can prevent the user from being able to copy and disseminate the files Wolfe is explicitly teaching that without the security procedures a user could copy and disseminate the file").

[60] Id at 8/4-7. ("Official Notice is taken that it was old and well known at the time of the invention that any incoming data file can be locally stored, either on the receiving device's hard drive or on any one or more types of removable storage devices, e.g., floppy disks …").

[61] Wolfe at c3/1-3 ("The completed data stream is then delivered to the subscriber in a single, inseparable stream of data packets over the Internet.").

[62] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶23 ("Streaming and download are different ways to deliver content that use different protocols, and handle the content in different ways. The stream is discarded; the download is stored. The Wolfe patent only applies to streaming; it does not provide for downloading audio files with embedded advertising content."). See also ¶7 and 18-19 ("One of ordinary skill would not find it feasible to modify Wolfe's system to store streamed content to a local drive because this would require specialized knowledge [i.e., the special expertise of the content pirate]").

[63] Pursuant to MPEP § 2144.03(C), the examiner "must provide documentary evidence in the next office action if the rejection is to be maintained" (citing 37 CFR 1.104(c)(2) and *Zurko*, 258 F.3d at 1386, 59 USPQ2d at 1697 ("[T]he Board [or examiner] must point to some concrete evidence in the record in support of these findings" to satisfy the substantial evidence test)).

[64] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶17 ("[A]t least some media players were designed to prevent storage of streamed data. Specifically, it was not (in the examiner's words:) 'old and well known at the time of the invention that any incoming data file can be locally stored, either on the receiving device's hard drive or on any one or more types of removable storage devices'. To quote from the Microsoft document for Windows Media (© 2003): 'With a Windows Media Server, users can only stream data and are prevented from downloading the file directly to their hard disk.").

[65] Web Server vs. Streaming Server, © 2003 Microsoft Corp., http://www.microsoft.com/windows/windowsmedia/ compare/webservvstreamserv.aspx.

Appellants also traverse the examiner's improper reasoning that "By discussing how the security measures can prevent the user from being able to copy and disseminate the files Wolfe is explicitly teaching that without the security procedures a user could copy and disseminate the file."[66] Such reasoning is known as the Fallacy of Denying the Antecedent.[67] This type of reasoning attempts to conclude that when the statement 'If A then B' is true, then A being false means B must be false.[68] As one example, the truth of the statement 'If it is raining, then the ground is wet' does not imply that the ground is dry in the absence of rain. Quite the opposite is true because many counterexamples spring to mind – the ground is often wet in the absence of rain, e.g., due to snowmelt, flooding, irrigation, or even just washing your car.

In the same fashion, the examiner's conclusion is false because even though Wolfe teaches the use of security measures as a precaution against copying, Wolfe does not teach that copying is possible in the absence of such security measures. At the very least, Wolfe's use of streaming would prevent those of ordinary skill at the time of the invention from copying the streamed data. Moreover, the system itself would be fatally flawed if such copying were possible. Wolfe's revenue determinations depend on play counts and targeted advertising. Without security measures or some method for preventing copying, Wolfe's contemplated system would not have been feasible, making it even more impossible for subscribers to copy songs.

In addition to failing to teach the claim limitation regarding downloading, Wolfe fails to suggest such a limitation to one of ordinary skill in the art at the time of the invention.[69] The significant differences between storing an entire file for later playback and streaming would be known to one of ordinary skill in the art at the time of the invention.[70] The fundamental, real-

[66] Final OA of April 9, 2008, 3/7-14.

[67] See, e.g., C. Stephen Layman, The Power of Logic, 2ed. © 2002 McGraw Hill, Boston. p24-25.

[68] Id.

[69] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶5 ("I believe that "a person of ordinary skill in the art at the time the invention was made" (i.e., in late 1999) in the audio streaming area would have, at a minimum, a bachelor's degree in computer science or two years of programming experience.").

[70] Id. at ¶16 ("All these developments led to two very different ways to deliver content, each of which would be familiar to one of ordinary skill in the late 1990's. The first is download, HTTP over TCP/IP. This is non-real-time delivery of a data file, which is stored locally on the user's PC, where it can be opened and played at any subsequent time. The second is streaming, UDP over IP. Streaming manages the delivery rate … . Data is rendered in the media player plug-in to the browser then discarded. To listen to the file again it must be streamed again.").

time nature of Wolfe's system would be altered in undesirable ways if one attempted to substitute the later-playback technique for the streaming technique. Wolfe embraces the individualized broadcast radio/television model in a manner that permits tracking of user profiles, play statistics, advertiser air times and remaining allocations, and limited replay of selected content.[71] If a later-playback technique were employed, much of the functionality of Wolfe's proposed system would be lost. One of ordinary skill would find little motivation, and much disincentive, for making such a modification to Wolfe, particularly when the relatively limited hardware capabilities of the late 1990's are taken into account.[72]

Furthermore, evidence of secondary considerations exists for non-obviousness of the claimed invention. In the attached declaration of Rod Underhill dated Feb. 15, 2008, one of the co-founders of MP3.com (a company that provided free audio downloads while searching for ways to commercialize their digital audio content beginning about a year before the appellant launched his business) declares that before becoming aware of the appellant's invention, "We had not previously contemplated such a business model, and we were a bit concerned that this novel approach could generate substantial income for our competitor."[73] Although Rod Underhill's company ultimately chose not to pursue this model, he declares that they "respected [the appellant's] innovation at the time and their willingness to embrace novel and inventive business model concepts."[74] Moreover, evidence of the commercial value of this invention is growing.[75] Peter Gabriel's We7 venture is having great success using the appellant's ad-sponsored music distribution model for as an effective way to compensate artists.[76]

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[71] Wolfe at c1/43-48, c4/12-18, c5/31-44, and c6/54-57.

[72] D. Austerberry, Declaration Under 37 CFR 1.132 dated June 13, 2008, ¶10 ("The PC's of the time had very limited RAM, and low capacity disk drives by 2008 standards. A typical PC just did not have the spare memory to store media files. Streaming to the Flash player, rendering content, and immediately discarding the data got around this problem.").

[73] R. Underhill, Declaration dated Feb. 15, 2008, p2.

[74] R. Underhill, Declaration dated Feb. 15, 2008, p3.

[75] Ad Supported Music Downloads, February 4, 2008, www.we7.com/public/press (cited in file IDS dated March 11, 2008) ("2008 is already a record breaking year for We7, the ad-supported music download service, as it smashes the two millionth download barrier and tips over 100,000 registered users this week").

[76] Id. *See also* Peter Gabriel's We7 launches ad-supported music downloads, April 30, 2007, www.prompt-communications.com/blog/2007 (cited in file IDS dated March 11, 2008).

For at least the foregoing reasons, independent claim 35 and its dependent claim 36 are patentable over the cited art.

9. Claim 37

Claim 37 depends from independent claim 35 and is patentable for at least the same reasons. In addition, claim 37 recites "the advertising message is played each time a user plays the combined audio file saved on the user computer". In his rejection of another claim, the examiner asserts that the "inseparable stream", having been recorded (presumably by highly sophisticated piracy), would inherently require that the advertisement play each time the audio file is played. A showing of inherency requires a high burden of proof, which appellant respectfully submits has not been established here.[77] Appellant maintains that, pursuant to arguments made in support of independent claim 35, the "inseparable stream" cannot be locally stored. If it were somehow stored (presumably through use of the special expertise of a content pirate), appellant submits that the so-called "inseparable stream" would not necessarily be inseparable.

For at least this additional reason, claim 37 is patentable over the cited art.

[77] Note [29] supra.

IX. CONCLUSION

In the course of the foregoing discussions, appellant may have at times referred to claim limitations in shorthand fashion, or may have focused on a particular claim element. This discussion should not be interpreted to mean that the other limitations can be ignored or dismissed. The claims must be viewed as a whole, and each limitation of the claims must be considered when determining the patentability of the claims. Moreover, it should be understood that there might be other distinctions between the claims and the prior art that have yet to be raised, but which may be raised in the future.

The reader is encouraged to contact the undersigned attorney if a telephonic discussion might prove helpful. If any fees are inadvertently omitted or if any additional fees are required or have been overpaid, please appropriately charge or credit those fees to Krueger Iselin LLP Deposit Account Number 50-4305/1002-001.00/HDJK.

Respectfully submitted,

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X. CLAIMS APPENDIX

1. -- 13. (Canceled)

14. (Previously presented) A distribution system that comprises:

at least one network server that provides a web site having audio files available for download by web site visitors,

wherein one or more of the audio files includes an embedded audio message from a sponsor.

15. (Previously presented) The network-accessible download service of claim 14, wherein the web site determines royalties payable to persons from which distribution rights for the audio files have been obtained.

16. (Previously presented) The network-accessible download service of claim 15, wherein the royalty is based at least in part on a number of times an audio file is downloaded.

17. (Previously presented) The network-accessible download service of claim 14, wherein the sponsor is someone other than an operator of the web site.

18. (Previously presented) The network-accessible download service of claim 17, wherein the sponsor is someone other than an artist or author of the audio file.

19. (Previously presented) The network-accessible download service of claim 14, wherein the sponsor is someone who has paid an operator of the web site to embed a message in one or more audio files.

20. (Previously presented) The network-accessible download service of claim 14, wherein the web site is configured to accept uploads of audio files and sponsor messages.

21. (Previously presented) The network-accessible download service of claim 20, wherein the web site is configured to embed at least one sponsor message in an uploaded audio file before making that audio file available for download.

22. (Previously presented) The network-accessible download service of claim 14, wherein said audio files include musical performances.

23. (Previously presented) The network-accessible download service of claim 14, wherein the audio files are downloadable in a compressed audio format.

24. (Previously presented) A playback method that comprises:

downloading an audio file with an audible advertisement from a web site to a computer; and

transferring the audio file from the computer to an external playing device that plays the audible advertisement when playing the audio file.

25. (Previously presented) The method of claim 24, wherein the external playing device plays the audible advertisement each time it plays the audio file.

26. (Previously presented) The method of claim 25, wherein the audio file includes a song or single.

27. (Previously presented) The method of claim 24, wherein the audible advertisement is provided by a sponsor other than an artist or author of the audio file.

28. (Previously presented) The method of claim 27, wherein the audible advertisement is appended at the beginning of the audio file after the audio file is received by the web site, but before the audio file is made available for downloading.

29. (Previously presented) The method of claim 24, wherein the audio file is saved on said computer in MP3 format.

30. (Previously presented) A distribution method that comprises:

receiving a message file having an audible message to be provided for a fee paid by a message provider;

receiving licensed multimedia files;

appending the message file to the beginning of each of multiple licensed multimedia data files to provide combined files;

making the combined files available on an Internet website for download by end users; and

transmitting at least one combined file to a user to store the combined file in its entirety for

later playback.

31. (Previously presented) The method of claim 30, further comprising determining a royalty payment to a provider of a licensed multimedia file based at least in part on a number of downloads of combined files including that multimedia file.

32. (Previously presented) The method of claim 30, further comprising receiving from the message provider an identification of multimedia files to be combined with a message file.

33. (Previously presented) The method of claim 30, further comprising receiving from the message provider a selection of a genre of multimedia files to be combined with a message file.

34. (Previously presented) The method of claim 30, further comprising transmitting said at least one combined file to a second different user to store for later playback.

35. (Previously presented) An advertising method that comprises:

creating a combined audio file from two audio files, wherein at least one of the two audio files produces an advertising message when played;

making the combined audio file accessible for download by multiple users via a computer network; and

transmitting the combined audio file to a user computer where the entire combined audio file is saved for later playback or transfer to an external multimedia player.

36. (Previously presented) The method of claim 35, further comprising transmitting the combined audio file to each of multiple users to store.

37. (Previously presented) The method of claim 35, wherein the advertising message is played each time a user plays the combined audio file saved on the user computer.

XI. EVIDENCE APPENDIX

A. Declaration of Rod Underhill dated February 15, 2008.

B. Declaration of David Austerberry dated June 2008

Declaration of Rod Underhill

COMES NOW, Rod Underhill, attorney at law, who declares as follows:

Background

I have been a member of the State Bar of California since 1980. I was a co-founder of MP3.com, an Internet-based technology and entertainment company. I an also a co-author of two books: The Complete Idiot's Guide to MP3: Music on the Internet, and the Complete Idiot's Guide to Making Millions on the Internet. After leaving MP3.com, I served as a law professor at the Thomas Jefferson School of Law for two years. I have served as a judge (pro tempore) of the San Diego Superior Court for 15 years. I have also devoted much of my time to fostering start-up companies, including Telomolecular Nanotechnologies, Inc, and NIMBIT.

I understand that this declaration will be submitted to the U.S. Patent and Trademark Office as evidence of the novelty and non-obviousness of a patent application being pursued by Michael Sharp. Beyond the exchange of one or two casual phone calls, I have had no contact with Michael Sharp, and I have never had any relationship or affiliation with Michael Sharp or AMP3.com.

I offer consulting services for start-ups and venture capitalists, at an agreed-upon fixed fee or a normal hourly rate of $300/hr. For my time in reviewing my book and other materials to refresh my memory and prepare this declaration, I expect to be paid roughly $1000.

Qualifications

In 1998, I co founded a technology company entitled MP3.com, Inc. "MP3.com," as the business was popularly known, was a company that primarily provided for the collection and distribution, though digital downloading of music in the MP3 compression format, of over a million songs. While our artist community was nearly completely comprised of unknown artists, we did represent many famed musicians, such as David Bowie, Madonna, Tom Petty, Billy Idol, Ice-T, TLC, the Beach Boys, The Offspring, and many other internationally famed acts. MP3.com enjoyed an astoundingly successful 6.9 billion dollar public offering, and it was later successfully merged with Vivendi-Universal.

Although as a co founder of MP3.com, my duties were somewhat varied in nature, I reported directly to the CEO of MP3.com on a variety of crucial issues. I spent a considerable amount of my time analyzing the business models of all potential competitors. The creation of MP3.com business models was one of my primary responsibilities and I both reported directly to the CEO and also worked directly with him regarding the conceptualization and development of our business models.

After our successful IPO, I created our first true business model: a copyright wizard by which our artists could easily complete and file copyright registration forms via MP3.com, complete with duplicate copies of the songs being registered. This was an extremely valuable business model generating more than a million dollars per month for MP3.com. We possessed one additional business model that I jointly developed with MP3.com's CEO: a system of providing additional benefits to our artist community. We, however, continued to seek additional revenue models that matched our technological guidelines and related requirements.

Another part of my duties at MP3.com involved identifying company needs and formulating the specifications for systems to fill those needs. I routinely worked with our engineers to formulate formal engineering proposals for those systems, and I would normally operate the system and train others once

it had been constructed. Once such systems had been operational for approximately six months, I would prepare a procedural manual and hand off operating responsibility to a manager.

Also, in 1999, I co-wrote the book entitled *The Complete Idiot's Guide to MP3: Music on the Internet.* I conducted extensive research of the Internet music landscape at that time and wrote on the technological and business related issues that would comprise the subject matter of the book.

My activities necessarily involved thinking about the future and making predictions. In the intervening years I have sometimes been called a "futurist" and have enjoyed some degree of accuracy in my predictions of overall industry trends. My business model expertise continues to be sought by start-ups and venture capitalists to this day.

Statements

When MP3.com was founded in 1998, the Internet was still very much in its infancy. Our initial struggle with MP3.com surrounded the creation of sustainable revenue models. Certain Internet based businesses had received millions of dollars of venture or investment funds without having developed clearly defined, reliable business models. Even in 1998, MP3.com was noticing that some well-funded Internet companies were showing signs of financial illness.

AMP3.com and MP3.com shared the same essential structure, both were music related sites that were built upon libraries of digital music made available for downloading, and both companies were seeking ways to develop dependable revenue streams.

I became aware of AMP3.com shortly after the launch of their website in February 1999. I contacted Michael Sharp, the owner of the AMP3.com website, and spoke with him on at least one occasion near the time where he opened up his MP3-related business. This contact occurred during my tenure at MP3.com.

I spent a considerable amount of effort studying AMP3.com's business model in order to ascertain if AMP3.com posed any real threat to MP3.com. My analysis of AMP3.com initially took place in 1999 and AMP3.com's unique business model was the subject of considerable discussion at the CEO level within MP3.com. We were aware that AMP3.com had instituted a system by which commercial advertisements were inserted as a part of a MP3 file, so that the person who downloaded the song would also at the same time be downloading an audio commercial. We had not previously contemplated such a business model, and we were a bit concerned that this novel approach could generate substantial income for our competitor.

My personal consultations with our CEO regarding this subject resulted in our internal agreement that AMP3.com did not pose any real threat to MP3.com due to the fact that they appeared to be under-funded. However, we were intrigued with the business model of providing commercial advertisements with downloaded songs. To the best of our knowledge no such model had previously been attempted, but in hindsight, it struck us as inevitable. Our CEO's opinion, which I shared, was that commercial advertisements of that nature would eventually become ubiquitous. We considered the AMP3.com approach of embedded commercials tied with downloaded media to be the "wave of the future" and as such, we concluded that such embedded commercials would ultimately be commonplace and accepted by the public in the same manner that the public accepts commercials on standard television.

In 1999, MP3.com did not feel that the circumstances were ripe for embedding advertisements in downloaded files, and MP3.com's financial circumstances were such that we did not feel pressured to

pursue additional revenue streams. We, therefore, concluded that we could abstain from embedding commercials into our own digital downloads for the time being. Nevertheless, we anticipated that AMP3.com's embedded commercial concept would come into its own by 2006-2007. This is one of the reasons I covered AMP3.com in my book and the reason I gave AMP3.com a relatively large amount of attention, mentioning the company in two separate sections of my book on MP3-related technology and businesses.

In 1999 I was invited by Que publishing to write a book to be entitled *The Complete Idiot's Guide to MP3: Music on the Internet*. Que was, at the time, one of the largest publishers in the world. The resulting book was co written by Nat Gertler, a technology author who had already written several books in the Complete Idiot's Guide series. Mr. Gertler's contribution was to ensure that the resulting book was written in the "Complete Idiot's Guide" style which meant the book was to be light and breezy in nature, but ultimately informative. It was my burden to research and then write the technological and business related issues that would comprise the subject matter of the book.

The above mentioned book was published in September of 1999. My research and writing of the book took place about six months before the publication date. The book was published in the United States and abroad and released in English, French, Spanish and Polish versions.

As previously mentioned, I addressed AMP3.com and their unique business model, which I felt was novel in nature and potentially ground breaking at the time. In part, I wrote the following: *"AMP3 seems to have taken a cue from commercial radio. At AMP3.com, you can download free music from hundreds of bands. And that's not all! In addition to the free music, there's something else you get for free. Advertising. That's right, attached to each song is a short little ad clip, just a few seconds long. Every time you play the MP3, you'll hear a little jingle for some sponsor.* "

I also added the following: *..."AMP3.com hopes to provide you with better music because of the ads. Every time that someone downloads a song with an ad in it, the advertiser pays AMP3.com money.*"

It was clear to MP3.com that AMP3.com had launched a business model whereby their content providers, musicians who placed MP3 formatted songs on the AMP3.com site, would receive revenue which was derived from commercials paid for by advertisers. Given my responsibility to MP3.com to continue to develop additional revenue models, I also continued to consider the pros and cons of providing embedded advertising along the lines of the AMP3.com approach.

While the AMP3.com commercial model was intriguing, I finally concluded that the time was not right for MP3.com to follow suit and as I wrote in the above mentioned book: *"getting this arrangement fully working and profitable is a long-term goal for AMP3, they don't have everything going quite as well as they probably hope to."*

Novel ideas, such as AMP3.com's commercial embedding program, sometimes do not initially generate as much income as their creators would hope. However, we respected AMP3.com's innovation at the time and their willingness to embrace novel and inventive business model concepts so as to address the industry's deeply-felt need for new revenue streams. We also agreed internally at the CEO level, that AMP3.com been the first to embrace what in hindsight was inevitable: commercials would be a part of the Internet user's daily experience when the content provided could sustain the appearance of those commercials. Just as millions of people tolerate commercial interruptions while they watch *Late Night with David Letterman* on television, we knew that millions would tolerate a

short commercial as a tradeoff to obtain free high quality downloaded entertainment -- It would simply be a matter of time.

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements are made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Rod Underhill

2/15/2008
Date

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Michael A. SHARP	§	Confirmation No: 1204
	§	
	§	Group Art Unit: 3622
Serial No.: 09/765,985	§	
	§	Examiner: James W. MYHRE
Filed: January 19, 2001	§	
	§	Atty. Dkt. No: 1002-001.00
For: Method and Apparatus for Embedding Advertisements in Audio Files for Internet and Network Distribution	§	Client Dkt. No: 65-1
	§	

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 23313-1450

DECLARATION UNDER 37 CFR 1.132

I, David Austerberry, declare:

Introduction

1. My full name, residence address, phone, and email address are:
   David Austerberry
   44 Belle Vue Road
   Salisbury
   SP1 3YD
   United Kingdom

Phone +44 1722 502 727
Email: david@davidausterberry.com

2. I have no professional or close personal relationship with Michael Sharp. Michael Sharp is a casual acquaintance who has asked me to lend my expertise on the following issues.

3. I have 30 years experience in the television and radio industry. I spent 10 years as project engineer at BBC, where I received a thorough background in audio and video engineering. I spent 15 years in product marketing for the broadcast manufacturing sector with Abekas-Cox, Vistek and Pro-Bel. Among the hardware and software products that I marketed were media asset management systems for television channel playout. Thereafter I worked for a content hosting ASP (application services provider), where I became further involved in media asset management and streaming media. I set up a marketing and training company for the video media business in 2003, and since 2005, I have been editing the world edition of Broadcast Engineering magazine, a Penton Media publication. I have presented papers on interactive television and digital asset management at many conferences including NAB (National

Association of Broadcasters) and IBC (International Broadcasting Convention). I'm a member of the AES (Audio Engineering Society), SMPTE (Society of Motion Picture and Television Engineers), and the RTS (Royal Television Society).

4. I have written two books which have been published by Focal Press: Technology of Audio & Video Streaming; and Digital Asset Management.

5. I believe that "a person of ordinary skill in the art at the time the invention was made" (i.e., in late 1999) in the audio streaming area would have, at a minimum, a bachelor's degree in computer science or two years of programming experience. Any subsequent statements made with reference to "one of ordinary skill" are made assuming this timing and at least this level of expertise.

Explanation of the technology

6. A download is the simple way to serve content from a web site. The file containing the content is downloaded on request from the web server to the user's computer. The delivery is managed using HTTP (hypertext transfer protocol), the same protocol that is used for the delivery of web pages. This protocol is carried over the lower level protocols: TCP and IP. Downloading can also use FTP (file transfer protocol, Oct 1985, RFC959) over TCP/IP as an alternative.

7. The browser downloads the file to a designated location in the client computer, typically the desktop or a "Downloads" folder. Once the file has been downloaded to the client, the file can be closed and made available for the appropriate application to open the file. In the case of a PDF this would be Adobe Reader.

8. In the late 1990s it became apparent that downloading had disadvantages for media files, although it was suitable for text files like PDF or Microsoft Office files. At this time Internet radio delivered over dial-up modems was becoming popular. Users wanted to listen in real time, rather than download the file then render it in a media player.

9. The browsers of the time could only render text as HTML with embedded graphics files in the JPEG or GIF formats. Any other content needed a plug-in for the browser in order to render the file. A good example of a plug-in is Adobe Flash player (then Macromedia). A web page could reference the Flash media file (SWF), which is streamed and rendered as it arrives.

10. The Flash player renders content as it arrives, but does not store or cache the file to the client computer. In the late 1990s this was very important to the delivery of audio-visual content. The PCs of the time had very limited RAM, and low capacity disk drives by 2008 standards. A typical PC just did not have the spare memory to store media files. Streaming to the Flash player, rendering content, and immediately discarding the data got around this problem.

11. Flash was originally used to deliver vector animation and audio, rather than the full-raster video that it now supports. The animation files were compact, and with suitable attention paid to minimizing the complexity of the graphics, the download bit rates could match available bandwidths and the rendering capacity of modest CPUs (like the 286).

12. There was a demand to deliver conventional video and audio, not just animation, in real time. The introduction of MPEG-1 in the early 90s pointed the way. The MPEG-1, layer 3 (usually referred to as MP3) audio coding standard could compress audio down to bit rates that could be served in real time over a dial modem (56kb/s). MPEG-2, layer 2 files (use for DVD audio tracks) or uncompressed WAV and AIFF, had too high a bit rate for the Internet connections of the day. To deliver them, the file had to be downloaded in its entirety, and then played.

13. Microsoft included audio and video players as part of Windows from 1991 onwards. These were developed into what is now Windows Media player. Apple released the first QuickTime media player in 1991. Version 4 released in 1999 added support or streaming. Aside from the major operating system vendors, a number of others audio players were released during the 1990s.

14. All files, whether streamed in real time or downloaded and played later where delivered using HTTP over TCP/IP. TCP uses rate control to control the speed at which data is delivered from the server. It starts at low speed, and ramps up until the interaction with the client indicates too many transmission errors at which point it backs off. Internet congestion will also cause the server to lower the transmission rate. This meant that in practice it was difficult to achieve anything more than 40 kb/s over a 56kb/s circuit. An audio file would be encoded at perhaps 30kb/s and trust to luck that it could be received at that rate. At times of congestion, the playback would stutter and stop.

15. The demands of the video & audio conferencing industry led to the development of new protocols specifically designed to carry audio and video. RTP and RTSP (real-time transport protocol and real-time streaming protocol). RTP was proposed as a standard in Jan 1996, IETF RFC1889, the current standard is RFC3550, July 2003). RTSP was proposed as a standard by the IETF April 1998, RFC 2326. These used UDP (user datagram protocol) over IP rather than HTTP over TCP/IP. Microsoft developed their own protocols including MMS that are utilized in Window Media, although they now support RTSP. Companies like RealNetworks (founded 1995), and trading originally as Progressive Networks, exploited these protocols for the dissemination of audio and later video content over the Internet. RealAudio and RealPlayer were released in 1995.

16. All these developments led to two very different ways to deliver content, each of which would be familiar to one of ordinary skill in the late 1990's. The first is the download, HTTP over TCP/IP. This is non-real-time delivery of a data file, which is stored locally on the user's PC, where it can be opened and played at any subsequent time. The second is streaming, UDP over IP. Streaming manages the delivery rate to match the rate at which is listened to (or viewed). Data is rendered in the media player plug-in to the browser then discarded. To listen to the file again it must be streamed again.

Discussion of Rejections Based on Wolfe

17. One of ordinary skill would have recognized that a key part of streaming is that the media player does not store the streamed data, but renders the audio to the loudspeaker (and the display for video) and then discards the data. Moreover, at least some media players were designed to prevent storage of streamed data. Specifically, it was not (in the examiner's

words:) "old and well known at the time of the invention that any incoming data file can be locally stored, either on the receiving device's hard drive or on any one or more types of removable storage devices". To quote from the Microsoft document for Windows Media (©2003): "With a Windows Media server, users can only stream data and are prevented from downloading the file directly to their hard disk. As data packets are received over the network, they are delivered directly to the client application with no easy way for the end user to intervene and make a copy." Web Server vs. Streaming Server, © 2003 Microsoft Corp., (http://www.microsoft.com/windows/windowsmedia/compare/webservvstreamserv.aspx).

18. It takes the special expertise of the content pirate to record streamed data to the local drive. As an extra safeguard against this potential theft of content, content publishers often use encryption and digital rights management to protect their assets. One of ordinary skill would not have the special expertise needed to download the content. Rather, one would require an unusually high degree of talent or expertise in the software programming arena to identify and understand the mechanisms necessary to save the content to the local hard drive. At the time the invention was made, such a level of expertise would be on par with a software engineer having at least fifteen years of systems programming experience on the relevant operating system.

19. One of ordinary skill would not find it feasible to modify Wolfe's system to store streamed content to a local drive because this would require specialized knowledge.

20. Wolfe describes a method where in response to a request for content, an advertisement is selected and affixed to a queue with the applicable artist (composition) identity audio message. In constructing the stream, the system overlays the generic or identity audio message onto the music content so that, when delivered, the audio generic message and the audio content can both be heard by the subscriber simultaneously. The completed data stream is then delivered to the subscriber in a single, inseparable stream of data packets over the Internet. (column 2, line 64 to column 3, line 3). It is noteworthy that Wolfe uses the term "stream" to describe the delivery. The conventional method to perform such an overlay is through a server-side playlist. This is basic functionality of streaming servers like Microsoft's Windows Media Server.

21. The Wolfe patent covers the application of advertising to a real-time streamed file. The advertising is selected using a demographic profile, and can be different every time the file is downloaded.

22. The Sharp application describes a different method where the advertisement or method is permanently combined. The combined advertisement and song are then ready to be stored on a server ready to be downloaded over the Internet. This is a different business method from the Wolfe patent, where a different advertisement can be overlaid using the matched profile stored in the database each time a song is played via a stream. The Sharp application, in contrast, describes the permanent association of a sponsor's message with a file that is downloaded for potentially repeated local playback.

23. Streaming and download are different ways to deliver content that use different protocols, and handle the content in different ways. The stream is discarded; the download is stored. The

Wolfe patent only applies to streaming; it does not provide for downloading audio files with embedded advertising content.

24. The key point here is that the Wolf patent applies a different advertising method than the Sharp application. The concept of appending advertisements to content is not new. Newspapers and magazines combine advertising and editorial on the printed page. Television combines programs with interstitial advertising into a broadcast stream. What is novel with the Wolfe patent is the use of a database to store profiles for subscribers and serve targeted advertising to those subscribers when they request content. In contrast, the Sharp application uses an editing process to combine the advertisement with musical content that is made available for download.

25. As I have described, streaming and download are different processes with different features, and must be considered as different business methods. Streaming is a core component of the Wolfe process. Each play is made from the server, which allows a suitably chosen advertisement to be appended. The stream is not stored locally on the PC but discarded immediately. Downloading is a core component of the Sharp process. A permanent association is created between the advertisement and the content, so that each play can be made from a local copy of the file.

26. I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with knowledge that false statements and the like are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

SIGNED:

Declarant's signature: _____ Date: June 13, 2008

Full name of declarant: David Austerberry Country of Citizenship: United Kingdom

Residence Address: 44 Belle Vue Road, Salisbury. SP1 3YD, United Kingdom

XII. RELATED PROCEEDINGS APPENDIX

None.